



**65 LaSalle Road
West Hartford, CT 06107-2397
860-521-8400 tel
860-521-3742 fax
www.hhconsultants.com**

City of Waterbury

Actuarial Valuation Report

July 1, 2003

William W. Bush, III, F.S.A.
Consulting Actuary

Scott B. Moss, A.S.A., M.A.A.A.
Pension Analyst

December 18, 2003

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Executive Summary		
	July 1, 2003	July 1, 2002
Number of participants		
Active	1,710	1,723
Terminated vested	87	52
Retired	<u>2,026</u>	<u>1,974</u>
Total	3,823	3,749
Total adjusted annual payroll	\$ 68,223,288	\$ 66,514,807
Average plan salary	39,897	38,604
Actuarial present value of future benefits	562,349,944	539,899,560
Asset value		
Market	24,826,413	19,716,755
Actuarial	24,826,413	19,716,755
Normal cost	\$9,530,734	\$9,104,733
Unfunded actuarial accrued liability	445,986,647	432,256,563
City Contributions for fiscal year		
Fiscal year	2005	2004
Funding policy	\$41,400,000	\$38,978,602

Valuation Report

Introduction

Purpose of the Valuation

The purpose of the valuation is to determine the cash contribution for the fiscal year.

The ultimate cost of a pension plan is based primarily on the level of benefits promised by the plan. The pension fund's investment earnings serve to reduce the cost of plan benefits and expenses.

$$\begin{array}{ccccccc} \textit{Ultimate} & = & \textit{Benefits} & + & \textit{Expenses} & - & \textit{Investment} \\ \textit{Cost} & & \textit{Paid} & & \textit{Incurred} & & \textit{Return} \end{array}$$

The actuarial cost method distributes this ultimate cost over the working lifetime of current plan participants. By means of this budgeting process, costs are allocated to both past and future years, and a cost is assigned to the current year. The current year's allocated cost, or normal cost, is the building block upon which the range of annual cash contributions is developed.

Information Available in the Actuarial Report

The Executive Summary and Valuation Report emphasize the notable results of the valuation from the perspective of the Plan Sponsor. Technical detail is documented in Supporting Exhibits and Actuarial Basis. A summary of the principal provisions of the Plan concludes the report.

The last exhibit provides the Plan's auditor with the annual disclosure of accumulated benefits in the manner prescribed by Statement of Financial Accounting Standards No. 35 for the audit of the Plan.

Cash Contributions for 2005 Fiscal Year

The City cash contribution for fiscal year 2005 is taken from the “Report by the Waterbury Financial Planning & Assistance Board Pension Subcommittee”, dated February 13, 2003. The City will make this contribution by the end of fiscal year 2005. This contribution was determined using assets and census information as of July 1, 2002, the actuarial assumptions as described in this report and an open-group valuation method that assumed a constant number of active participants. The relevant sections of that report are attached to this report. This amount is \$41,400,000 for fiscal year 2005.

In addition, we have calculated a City cash contribution based on assets and census information as of July 1, 2003. Any difference between this City contribution and the Subcommittee projected contribution will be accumulated with interest through the end of the agreement and amortized as a gain or loss beginning with the 2009 fiscal year. For this calculation, the City cash contribution for fiscal year 2005 is the sum of the City normal cost and the City amortization payment for fiscal year 2005. The City normal cost for fiscal year 2005 is equal to the City normal cost expressed as a % of pay determined as of July 1, 2003, multiplied by expected employee payroll for fiscal year 2005. The City amortization payment for fiscal year 2005 is the amortization payment for the July 1, 2003 unfunded actuarial accrued liability. This amount for fiscal year 2005 is \$40,374,345.

The City’s Funding Policy Contribution amount is shown in the table below. Last year's figure is shown for comparison purposes.

Cash Contribution – Funding Policy		
	Fiscal Year 2005	Fiscal Year 2004
City Contribution	\$41,400,000	\$38,978,602

The Funding Policy City Contribution is larger than the City contribution calculated using July 1, 2003 information. The excess amount is \$1,025,655 (= \$41,400,000 - \$40,374,345). This excess will be accumulated with interest to July 1, 2008.

We urge the City to contribute the actuarially determined Cash Contribution. Unless significant contributions are made to the plan it will be difficult to maintain the security of the benefits promised by the Pension Plan.

Changes Reflected in the Valuation

The funding policy for the plan has been changed to reflect the process described above.

Certification

This report presents the results, as of July 1, 2003, of the annual actuarial valuation for The City of Waterbury Retirement System. The valuation has been performed in accordance with generally accepted actuarial principles and practices. Noted within this report are changes since the prior valuation.

In preparing this valuation, I have relied on employee data provided by the Plan Sponsor, and on asset and contribution information provided by the Trustee. I have audited neither the employee data nor the financial information, although I have reviewed them for reasonableness.

The results in this valuation report are based on the Plan as summarized in the Plan Provisions section of this report.

In my opinion, this valuation fairly reflects the actuarial position of The City of Waterbury Retirement System. I certify that the funding methods (as approved by the Plan Sponsor) and assumptions that are the basis of this valuation are reasonable, and that the assumptions represent my best estimate of anticipated experience under the Plan.

I am a member of the American Academy of Actuaries and meet its Qualification Standards to render the actuarial opinion contained herein.

William W. Bush

William W. Bush, III, F.S.A.

December 18, 2003

Exhibit I

Membership

	Police Option A	Fire Option 2	Blue Collar	White Collar	WMAA	Nurses	Teachers	SAW	Social Workers	Develop- ment	Total
a. Number of Active Employees	324	288	425	574	45	23	19	3	0	9	1,710
b. Adjusted Annual Payroll	\$16,510,358	\$16,304,250	\$12,982,757	\$16,423,681	\$2,751,446	\$889,603	\$1,680,304	\$309,852	\$0	\$371,037	\$68,223,288
c. Number of Retired	301	334	412	332	77	13	446	99	3	9	2,026
d. Annual Pension	7,295,304	9,642,749	6,232,981	4,155,594	2,276,753	257,045	5,591,711	2,419,490	39,320	168,854	38,079,801
e. Number of Vested Terminated	3	1	25	38	15	1	0	0	2	2	87
f. Annual Pension	58,385	16,039	290,507	367,689	293,562	14,964	0	0	16,771	14,588	1,072,505

Exhibit II

Actuarial Balance Sheet

	Police Option A	Fire Option 2	Blue Collar	White Collar	WMAA	Nurses	Teachers	SAW	Social Workers	Develop- ment	Total
a. Actuarial Present Value of Future Benefits											
(1) Active	60,979,884	55,974,089	31,837,560	37,241,184	7,963,840	2,316,528	3,540,164	1,172,522	0	1,318,057	202,343,828
(2) Inactive	0	0	0	0	0	0	0	0	0	0	0
(3) Terminated Vested	197,151	0	2,268,512	1,453,491	1,561,854	0	0	0	190,608	149,784	5,821,400
(4) Retired	68,396,752	92,521,629	59,584,202	36,384,791	20,523,087	2,479,004	50,674,604	21,602,999	368,452	1,649,196	354,184,716
(5) Total	129,573,787	148,495,718	93,690,274	75,079,466	30,048,781	4,795,532	54,214,768	22,775,521	559,060	3,117,037	562,349,944
b. Actuarial Value of Assets											
(1) Actuarial Value of Assets	5,311,706	6,532,277	4,239,779	2,929,968	1,400,302	195,693	2,846,830	1,196,203	29,480	144,175	24,826,413
(2) Present Value of Future Normal Cost Contributions	28,841,562	24,616,308	13,286,252	19,514,966	3,493,172	1,084,364	226,910	90,483	0	382,868	91,536,884
(3) Unfunded Actuarial Accrued Liability	95,420,519	117,347,133	76,164,243	52,634,532	25,155,307	3,515,475	51,141,028	21,488,835	529,580	2,589,994	445,986,647
(4) Total	129,573,787	148,495,718	93,690,274	75,079,466	30,048,781	4,795,532	54,214,768	22,775,521	559,060	3,117,037	562,349,944

Exhibit III

Normal Cost

	Police Option A	Fire Option 2	Blue Collar	White Collar	WMAA	Nurses	Teachers	SAW	Social Workers	Develop- ment	Total
a. Normal Cost as of 7/1/2003	2,866,191	2,479,230	1,474,947	1,931,273	472,403	108,418	109,648	34,634	0	53,990	9,530,734
b. Expected Employee Contributions	1,568,484	1,548,904	1,233,362	1,149,658	247,630	62,272	21,844	10,845	0	29,683	5,872,682
c. Net City Normal Cost: (a) - (b)	1,297,707	930,326	241,585	781,615	224,773	46,146	87,804	23,789	0	24,307	3,658,052
d. City Normal Cost as a % of Plan Salaries:(c) / (1.b.)	7.86%	5.71%	1.86%	4.76%	8.17%	5.19%	5.23%	7.68%	0.00%	6.55%	5.36%
e. Projected Plan Salaries for Fiscal Year 2005	17,088,221	16,874,899	13,437,153	16,998,510	2,847,747	920,739	1,739,115	320,697	0	384,023	70,611,104
f. City Normal Cost for Fiscal Year 2005: (d) * (e)	1,343,134	963,557	249,931	809,129	232,661	47,786	90,956	24,630	0	25,154	3,786,938

Exhibit IV

**Unfunded Actuarial Accrued Liability
And Amortization Cost**

	Police Option A	Fire Option 2	Blue Collar	White Collar	WMAA	Nurses	Teachers	SAW	Social Workers	Develop- ment	Total
a. Actuarial Accrued Liability as of 7/1/2003	100,732,225	123,879,410	80,404,022	55,564,500	26,555,609	3,711,168	53,987,858	22,685,038	559,060	2,734,169	470,813,060
b. Actuarial Value of Assets as of 7/1/2003	5,311,706	6,532,277	4,239,779	2,929,968	1,400,302	195,693	2,846,830	1,196,203	29,480	144,175	24,826,413
c. Unfunded Actuarial Accrued Liability: (a) - (b)	95,420,519	117,347,133	76,164,243	52,634,532	25,155,307	3,515,475	51,141,028	21,488,835	529,580	2,589,994	445,986,647
d. 38-Year Level Dollar Amortization of Unfunded Actuarial Accrued Liability	7,828,013	9,626,807	6,248,286	4,317,979	2,063,666	288,399	4,195,457	1,762,880	43,445	212,475	36,587,407
e. Amortization Payment as a % of Plan Salaries: (d)/(III.e.)	45.81%	57.05%	46.50%	25.40%	72.47%	31.32%	241.24%	549.70%	N/A	55.33%	51.82%

Exhibit V

Development of Actuarial Cost for Fiscal Year 2005

	Police Option A	Fire Option 2	Blue Collar	White Collar	WMAA	Nurses	Teachers	SAW	Social Workers	Develop- ment	Total
a. City Normal Cost: (III.f.)	1,343,134	963,557	249,931	809,129	232,661	47,786	90,956	24,630	0	25,154	3,786,938
b. Amortization Cost: (IV.d.)	7,828,013	9,626,807	6,248,286	4,317,979	2,063,666	288,399	4,195,457	1,762,880	43,445	212,475	36,587,407
c. Total City Cost: (a) + (b)	9,171,147	10,590,364	6,498,217	5,127,108	2,296,327	336,185	4,286,413	1,787,510	43,445	237,629	40,374,345
d. City Funding Requirement Per State of Connecticut Agreement *	9,404,129	10,859,397	6,663,295	5,257,355	2,354,662	344,725	4,395,303	1,832,919	44,549	243,666	41,400,000
e. Expected Employee Contributions for Fiscal Year 2005	1,623,381	1,603,116	1,276,530	1,189,896	256,297	64,452	22,609	11,225	0	30,722	6,078,228
f. Total Cost for Fiscal Year 2005: (c) + (d)	11,027,510	12,462,513	7,939,825	6,447,251	2,610,959	409,177	4,417,912	1,844,144	44,549	274,388	47,478,228
g. Total Fiscal 2005 Cost as a % of Plan Salaries: (f)/(III.e.)	64.53%	73.85%	59.09%	37.93%	91.69%	44.44%	254.03%	575.04%	N/A	71.45%	67.24%

* Any difference between (c) and (d) will be accumulated, with interest, through the end of the Agreement and amortized as a gain or loss beginning with fiscal year 2009.

Determination of Actuarial Gain (Loss)

The Actuarial Gain (Loss) for a year is the difference between the Expected Unfunded Actuarial Accrued Liability and the Actual Unfunded Actuarial Accrued Liability, without regard to any plan changes or changes in methods or actuarial assumptions. Such a gain (loss) is also referred to as an Experience Gain (Loss), since it reflects the difference between what was expected and what was actually experienced.

Actuarial Gain (Loss)	
1. Expected unfunded actuarial accrued liability 7/1/2003	
a. Unfunded actuarial accrued liability 7/1/2002	\$ 432,256,563
b. Normal cost 7/1/2002 (Employer only)	3,456,804
c. Interest at 8.5% to 7/1/2003 on (a) and (b)	37,035,636
d. Contributions for 2002/2003 (Employer only)	36,000,000
e. Interest at 8.5% to 7/1/2003 on (d)	1,498,800
f. Expected unfunded actuarial accrued liability 7/1/2003: (a)+(b)+(c)-(d)-(e)	435,250,203
2. Actual unfunded actuarial accrued liability 7/1/2003 for gain (loss) determination	
a. Unfunded actuarial accrued liability 7/1/2003	445,986,647
b. Adjustments 7/1/2003	
i. Plan amendment	N/A
ii. Change in assumptions	N/A
iii. Cost method change	N/A
iv. Total	N/A
c. Actual unfunded actuarial accrued liability for gain (loss) determination: (a)-(b)	445,986,647
3. Actuarial gain (loss): (1f)-(2c)	(10,736,444)

Actuarial Present Value of Accumulated Plan Benefits

The following information is based on Statement No. 35 (Accounting and Reporting by Defined Benefit Pension Plans) of the Financial Accounting Standards Board. The figures below are the actuarial present value of plan benefits accumulated to July 1. For retired members and survivors, this includes the actual benefit they are receiving. For vested terminated members, this includes vested benefit deferred to Normal Retirement Date.

For active members, we have calculated the benefits accrued for service to July 1 and have considered the compensation over the appropriate averaging period ending on July 1. In computing actuarial present values, the regular valuation assumptions outlined in Section VII are used. There is no projection of future salary increases.

The asset figure is the market value of assets.

Figures from the preceding valuation are shown for comparison.

Actuarial Present Value of Accumulated Plan Benefits as of:	July 1, 2003	July 1, 2002
Vested Benefits		
Active	\$ 62,619,053	\$ 61,399,827
Retirees & Survivors	354,184,716	341,372,658
Vested Terminated	<u>5,821,400</u>	<u>3,587,857</u>
Total Vested Benefits	\$422,625,169	\$406,360,342
Non-Vested	<u>8,056,480</u>	<u>7,984,731</u>
Total Accrued Benefits	\$430,681,649	\$414,345,073
Net Assets Available for Benefits as of July 1	\$ 24,826,413	\$ 19,716,755

The City is required to disclose certain information in accordance with the requirements of Government Accounting Standards No. 25 and 27. This information was provided in a separate report.

Description of Actuarial Methods

Asset Valuation Method

As of July 1, 2003, the Actuarial Value of Assets is the market value of assets. Beginning with July 1, 2004, we will phase in the use of the expected value asset method over a five-year period.

Under the expected value asset method, the actual return on the market value of assets is compared to the expected return on the market value of assets. The expected return is based on the actuarial interest rate and actual transactions throughout the year. Any differences between actual and expected return are phased in over five years. the actuarial value of assets can not be less than 80% of the market value, nor more than 120%.

Actuarial Cost Method

The actuarial cost method used in the cost calculations is the Projected Unit Credit Actuarial Cost Method. Recommended annual contributions until the actuarial accrued liability is funded will consist of two pieces:

- a. Normal Cost - The actuarial cost to fund benefit units earned during the year.
- b. Amortization Payments of Actuarial Accrued Liability - The actuarial cost to amortize the unfunded portion of the actuarial liability for accrued benefits. It is recommended that this amount be amortized over not more than 40 years. For the fiscal year 2004 contribution, the unfunded liability will be amortized using a flat dollar payment over a forty-year period. The period will be 38 years for the fiscal year 2005, 36 years for fiscal year 2006, 34 years for fiscal year 2007, and 30 years for fiscal year 2008. the amortization period will reduce by 1 year annually after fiscal year 2008.

Using this method, an actuarial valuation was made of the actuarial accrued liabilities and Normal Cost (current accruals) for active members (including survivor benefits and refunds of employee contributions). The actuarial present value needed for future payments to present pensioners and survivors was added to the Active accrued liabilities to determine the current total actuarial accrued liability. Assets were subtracted from the actuarial accrued liabilities for all members in order to determine the unfunded actuarial accrued liability to be amortized by future contributions. The Normal Cost was reduced by expected employee contributions.

Since the system includes several classifications of members who have different provisions for benefits and contributions, it was necessary to apply this method by separate actuarial valuations for each group.

A provision is included for the Normal Actuarial Costs for disability pensions, and for survivor benefits on deaths prior to retirement on a term cost basis. On this basis the additional actuarial liabilities for such annuities will be set up from year to year as the benefits are approved, without advance funding of such actuarial costs. The "percentage-of-payroll" Normal Actuarial Costs for these benefits were based on a study of the actual past experience as explained in the actuarial assumptions. In view of the differing benefit provisions these estimates were made separately for each group.

Description of Actuarial Assumptions

Changes in Actuarial Assumptions as of July 1, 2003

No changes were made to the actuarial assumptions.

Actuarial Assumptions for 7/1/2003 Actuarial Valuation

1. Retirement Age	Union	Assumed Retirement Age (based on Actual Experience 1985-1996)*
	Police	58
	Fire	57
	Blue Collar	60
	White Collar	63
	Nurses	66
	WMAA	60
	Teachers	59
	SAW	59
	Development	60
		<i>* If attained age equal or greater than the above, then attained age plus 1 year.</i>
2. Severance	Sarason – Crocker T. Tables T-1 (light) for Police, Fire, Teachers & SAW T-3 (Moderate) for remaining groups	
3. Mortality	Actives – UP94 Mortality Table projected by scale AA to year of valuation plus 10 (2013 for July 1, 2003 valuation), with separate male and female tables Retirees – 1983 Group Annuity Table (1983 GAM)	
4. Salary Scale	4% per annum, plus ½% per annum for promotion or merit.	
5. Investment Return	8½%.	
6. Disability	Normal Actuarial Cost for Disability is the cost of establishing a reserve for the temporary annuity payable until Normal Retirement Date based on actual experience 1985-1992. Term cost as a percent of pay.	

7. Marital Status at Retirement	75% of employees assumed to have a survivor. Female survivors are assumed to be 3 years younger than employee. Male survivors are assumed to be 3 years older than employee. Factors developed:	
	Police:	66-2/3% J&S, Primary age 58, CA age 55
	Fire:	66-2/3% J&S, Primary age 57, CA age 54
	Blue Collar:	66-2/3% J&S, Primary age 60, CA age 57
	White Collar:	66-2/3% J&S, Primary age 63, CA age 66
	WMAA:	66-2/3% J&S, Primary age 60, CA age 57
	Nurses:	66-2/3% J&S, Primary age 66, CA age 69
	Teachers:	50% J&S, Primary age 59, CA age 59
	SAW:	50% J&S, Primary age 59, CA age 56
	Development:	66-2/3% J&S, Primary age 60, CA age 60
8. Asset Valuation	Market Value	
9. Valuation Method	Projected Unit Credit Actuarial Method	
10. Adjustments to Net Pay		
Holiday Pay	Police	5.3%
	Fire	5.3%
Overtime Pay	White Collar	5.0%
	Development	5.0%
11. Additional Adjustments to Liabilities		
Holiday Pay	Police	5.3%
	Fire	5.3%
Overtime Pay	White Collar	5.0%
	Development	5.0%
Early Retirement	N/A	
Sick Pay	All Groups except Police Option A, Fire Option 2, and WMAA	
		17.3077%
Longevity	All Groups, except WMAA	
		\$1,000 per active employee
Adjustment to Liabilities = [(Sick Pay + Longevity) ÷ Net Pay] x 50%.		

Return of Employee Contributions	All Groups	5%
Joint & Survivor for Retirees	75% of retirees assumed to have a survivor. Female survivors are assumed to be 3 years younger than employee. Male survivors are assumed to be 3 years older than employee.	
	All groups except Teachers, SAW and Social Workers	66-2/3% J&S
	Teachers and SAW	50% J&S
	Social Workers	100% J&S
Pre-Retirement Death Benefit	All Groups	2%

Summary of Principal Provisions of Pension Plan for Police Officers July 1, 2003

<u>Eligibility:</u> *	Regular full-time permanent members of the Police Department.
<u>Retirement Pensions:</u> **	Option A - 2.5% of Compensation multiplied by the number of years of Service, maximum 30 years. Maximum benefit 100% of base pay
<u>Compensation:</u>	Option A - The sum of (a) annual base rate of pay in effect at application for Retirement plus (b) "longevity" plus (c) the amount of "college incentive" payment which the employee is entitled to receive during the year of retirement plus (d) holiday pay.
<u>Service Requirement For Retirement:</u>	20 years of service. A minimum of 15 years as a Police Officer.
<u>Vesting of Earned Pension</u> (if no refund of contributions):	After completion of 10 years service. Accrued pension payable at attainment of 20th anniversary of employment and age 50. Accrued pension is based on annual base rate of pay plus longevity.
<u>Benefits to Survivors:</u> Pre & Post Retirement	A benefit of one-half of annual compensation to surviving spouse or child of deceased employee or surviving spouse of deceased retiree for work-related death. If death is not work-related, must have 10 years of service. If benefit is for surviving child, must have 2 years of service. The spouse's benefit is payable until death or remarriage of surviving spouse. For Vested Terminated members, a benefit of 1/2 of the participant's accrued benefit to the recognized dependent (not spouse) payable when the Vested Terminated member would have reached his 20th anniversary and attained age 50. Spouse receives return of employee's contributions.
Compensation for Final Pay	Same as definition of compensation for pension benefits.
<u>Purposes for Survivor Benefits:</u>	
* <i>Employees not eligible for membership in the Retirement System are eligible for coverage under Social Security and both the City and employee contribute 7.65% of earnings up to the Social Security Wage Base and 1.45% in excess of the Social Security Base.</i>	
** <i>Certain employees previously excluded by virtue of being hired over age 50 are eligible for a benefit of 2% of compensation or 2.5% of compensation depending on the union, for each year of service minus 50% of the Social Security benefit earned while an employee of the City of Waterbury. Such employees contribute 4.9% of compensation. Also there are three retired members who are entitled to benefits specifically defined in the Charter, Contract or union contract(s).</i>	

<u>Total Disability Pension</u> (Payable only so long totally disabled):	Non-service related - After 10 years of service Pension equal to 2.5% of base pay plus longevity, minimum 25% of base pay plus longevity. Service connected - a minimum pension of 50% of regular compensation plus longevity. If disability is due to heart disease or hypertension, pension is in accordance with Connecticut State Statutes and Retirement Board regulations. Service related - no waiting period.	
<u>Member's Contribution Rate of Pay:***</u> (City pays full balance of costs to fund benefits)	9.5%. No contribution after 30 years. Contributions are pre tax.	
<u>Refund of Contributions upon Termination of Employment or at Death:</u>	Return of contribution payable on termination or death if not eligible for a pension or surviving spouse's benefit.	
<u>Cost of Living Adjustment for Retirees/Spouses - 1984:</u>	If yearly pension is less than \$8,000 increase of 8% x difference between yearly pension and \$8,000.	
<u>Cost of Living Adjustment for Retirees/Spouses - 1987:</u>	8% increase if yearly pension is \$12,000 or less.	
<u>Cost of Living Adjustment for Retirees/Spouses - effective September 1989:</u>	<u>Annual Pension</u>	<u>Percentage Increase</u>
	under \$8,000	5%
	\$8,001 to \$9,000	4%
	\$9,001 to \$10,000	4%
	\$10,001 to \$11,000	4%
	\$11,001 to \$12,000	4%
	\$12,001 to \$13,000	3%
	\$13,001 to \$14,000	3%
<u>Fringe Benefits for Retirees:</u>	Health and Life Insurance benefits incurred on behalf of retirees on or after July 1, 1998 are no longer provided from Pension Fund Assets.	

*** *Police employees first hired by the City on or after 4/15/86 are required to make contributions to the Medicare portion under the Social Security Act. The City contributes a matching 1.45% of pay to Social Security.*

Summary of Principal Provisions of Pension Plan for Firefighters July 1, 2003

Eligibility:*	Regular full-time permanent members of the Fire Department, including non-members of the bargaining unit.
<u>Retirement Pensions:</u> **	2.5% of Final Average Base Pay multiplied by the number of years of Service before 12/31/2001 plus 2% for each year of service thereafter. Maximum benefit 75% of Final Average Base Pay.
<u>Compensation</u> (Final Average Base Pay):	The sum of (a) annual base salary in effect at application for Retirement plus (b) holiday pay plus (c) Regular Fire Driver's pay if applicable, for 104 weeks preceding retirement divided by two.
<u>Service Requirement For Retirement:</u>	25 years of service. If hired 12/20/2001 or later, 25 years of service and age 55.
<u>Vesting of Earned Pension</u> (if no refund of contributions):	After completion of 10 years service. Accrued pension payable at attainment of 25th anniversary of employment and age 55.
<u>Benefits to Survivors:</u> Post Retirement	A benefit equal to that of retiree to the surviving spouse of a retiree with less than 25 years of service. A benefit of one-half of annual compensation to the surviving spouse of any other retiree. The benefit is payable until death or remarriage of surviving spouse.
Pre Retirement	A benefit of one-half of annual compensation to surviving spouse or child of deceased employee for work related death. For Vested Terminated members, no spouse pension unless special waiver approved by the Retirement Board.
* <i>Employees not eligible for membership in the Retirement System are eligible for coverage under Social Security and both the City and employee contribute 7.65% of earnings up to the Social Security Wage Base and 1.45% in excess of the Social Security Base.</i>	
** <i>Certain employees previously excluded by virtue of being hired over age 50 are eligible for a benefit of 2% of compensation or 2.5% of compensation depending on the union, for each year of service minus 50% of the Social Security benefit earned while an employee of the City of Waterbury. Such employees contribute 4.9% of compensation. Also there are three retired members who are entitled to benefits specifically defined in the Charter, Contract or union contract(s).</i>	

Plan Provisions
continued

Compensation for Final Pay	Same as definition of compensation for pension benefits.	
<u>Purposes for Survivor Benefits:</u>		
<u>Total Disability Pension</u> (Payable only so long totally disabled):	Non-service related - After 10 years of service, accrued benefit on the basis of 2.5% for each year of Service before 12/31/2001 plus 2% thereafter, with a minimum of 25% of Final Average Base Pay. If disability is due to heart disease or hypertension, pension is in accordance with Connecticut State Statutes and Retirement Board regulations. Service related - no waiting period Service related – Greater of 50% of service pension, or 50% of Final Average Base Pay plus, if awarded by Retirement Board, additional amount of up to 5% of Final Average Base Pay, maximum 76% of Final Average Base Pay. May be offset by Workers' Compensation.	
<u>Member's Contribution Rate of Pay:</u> (City pays full balance of costs to fund benefits)	9.5% No contribution after 30 years of service. Contributions are pre tax.	
<u>Refund of Contributions upon Termination of Employment or at Death:</u>	Return of contribution payable on termination or death if not eligible for a pension or surviving spouse's benefit.	
<u>Cost of Living Adjustment for Retirees/Spouses - 1984:</u>	If yearly pension is less than \$8,000 increase of 8% x difference between yearly pension and \$8,000.	
<u>Cost of Living Adjustment for Retirees/Spouses - 1987:</u>	8% increase if yearly pension is \$12,000 or less.	
<u>Cost of Living Adjustment for Retirees/Spouses - effective September 1989:</u>	<u>Annual Pension</u>	<u>Percentage Increase</u>
	under \$8,000	5%
	\$8,001 to \$9,000	4%
	\$9,001 to \$10,000	4%
	\$10,001 to \$11,000	4%
	\$11,001 to \$12,000	4%
	\$12,001 to \$13,000	3%
	\$13,001 to \$14,000	3%
<u>Fringe Benefits for Retirees:</u>	Health and Life Insurance benefits incurred on behalf of retirees on or after July 1, 1998 are no longer provided from Pension Fund Assets.	

Summary of Principal Provisions of Pension Plan for Blue Collar July 1, 2003

<u>Eligibility:</u> *	Regular participants - Full & part-time employees.
<u>Retirement Pensions:</u> **	2.5% of Compensation multiplied by the number of years of service up to 1/1/2002, plus 2% of Compensation for service thereafter, with a maximum pension of 75% of base salary.
<u>Compensation:</u>	The sum of the annual base salary plus shift differential plus payment for working in a higher classification all as of date of application for retirement plus longevity averaged over final 3 years of service.
<u>Service Requirement For Retirement:</u>	Age 65 and 15 years. If hired prior to 12/12/2001, 25 years of service if earlier. If hired 12/12/2001 or later, 25 years of service and age 55.
<u>Vesting of Earned Pension</u> (if no refund of contributions):	After completion of 10 years of service. Accrued pension payable as of the date the employee would have been eligible to retire had he not terminated.
<u>Benefits to Survivors:</u>	
Post Retirement:	For retirements before 12/20/2001 – a benefit equal to 60% of the deceased retirees pension payable to the surviving spouse or dependent. For retirement on or after 12/20/2001, the employee may elect a reduced 50% or 100% Joint and Survivor spouses form of benefit.
Pre-Retirement:	<u>Eligibility:</u> The employee must be eligible to normal retirement. <u>Benefit:</u> The employee's accrued benefit x $\frac{1}{2}$ of 50%, Joint and Survivor Factor. Payments begin immediately.
Terminated Vested:	Reduced pension starting when the employee would have been eligible to retire. Benefit equals accrued benefit x $\frac{1}{2}$ x Joint and Survivor Factor at commencement date.

* *Employees not eligible for membership in the Retirement System are eligible for coverage under Social Security and both the City and employee contribute 7.65% of earnings up to the Social Security Wage Base and 1.45% in excess of the Social Security Base.*

** *Certain employees previously excluded by virtue of being hired over age 50 are eligible for a benefit of 2% of compensation or 2.5% of compensation depending on the union, for each year of service minus 50% of the Social Security benefit earned while an employee of the City of Waterbury. Such employees contribute 4.9% of compensation. Also there are three retired members who are entitled to benefits specifically defined in the Charter, Contract or union contract(s).*

Total Disability Pension:
(Payable only so long totally disabled)

Eligibility: Must have 10 years of service.

Benefit: Equal to the accrued benefit, minimum 25% of pay, maximum 50% of pay, including Worker's Compensation. Pay is rate of pay plus longevity.

Member's Contribution Rate of Pay: ***
(City pays full balance of costs to fund benefits)

9.5%. Contributions are pre tax.

Refund of Contributions upon Termination of Employment or at Death:

Return of contribution payable on termination or death if not eligible for a pension or surviving spouse's benefit.

Cost of Living Adjustment for Retirees/Spouses - 1984:

If yearly pension is less than \$8,000 increase of 8% x difference between yearly pension and \$8,000.

Cost of Living Adjustment for Retirees/Spouses - 1987:

8% increase if yearly pension is \$12,000 or less.

Cost of Living Adjustment for Retirees/Spouses - effective September 1989:

<u>Annual Pension</u>	<u>Percentage Increase</u>
under \$8,000	5%
\$8,001 to \$9,000	4%
\$9,001 to \$10,000	4%
\$10,001 to \$11,000	4%
\$11,001 to \$12,000	4%
\$12,001 to \$13,000	3%
\$13,001 to \$14,000	3%

Fringe Benefits for Retirees:

Health and Life Insurance benefits incurred on behalf of retirees on or after July 1, 1998 are no longer provided from Pension Fund Assets.

*** *Blue Collar employees first hired by the City on or after 4/15/86 are required to make contributions to the Medicare portion under the Social Security Act. The City contributes a matching 1.45% of pay to Social Security.*

Summary of Principal Provisions of Pension Plan for White Collar July 1, 2003

<u>Eligibility:</u> *	Regular employees.
<u>Retirement Pensions:</u> **	2% of Compensation multiplied by the number of years of service.
<u>Compensation (Regular Annual Pay):</u>	The sum of the annual base salary plus longevity earned for the 24 months prior divided by two.
<u>Service Requirement For Retirement:</u>	Employed prior to June 1, 2002, 25 years of service or age 65 and 15 years. Employed on or after June 1, 2002, 25 years of service and attained age 55, or age 65 and 15 years.
<u>Vesting of Earned Pension</u> (if no refund of contributions):	After completion of 10 years of service. Accrued pension payable as of date eligible for retirement.
<u>Benefits to Survivors:</u>	
Post Retirement	Actuarially reduced 50% Joint & Survivor.
Pre Retirement – Eligible to Retire:	½ of accrued, actuarially reduced for Joint & Survivor.
Vested Terminated:	A benefit of ½ of the participant's accrued benefit to the recognized dependent or spouse payable on date eligible for retirement.
<u>Total Disability Pension:</u> (Payable only so long totally disabled)	<u>Eligibility:</u> 3 years of service if work related, 10 years if non work-related. Hired prior to 12/11/89, must have 3 years of service. <u>Benefit:</u> Equal to the accrued benefit, minimum 50% of pay, maximum 75% of pay, including Worker's Compensation. Pay is rate of pay plus longevity.

* *Employees not eligible for membership in the Retirement System are eligible for coverage under Social Security and both the City and employee contribute 7.65% of earnings up to the Social Security Wage Base and 1.45% in excess of the Social Security Base.*

** *Certain employees previously excluded by virtue of being hired over age 50 are eligible for a benefit of 2% of compensation or 2.5% of compensation depending on the union, for each year of service minus 50% of the Social Security benefit earned while an employee of the City of Waterbury. Such employees contribute 4.9% of compensation. Also there are three retired members who are entitled to benefits specifically defined in the Charter, Contract or union contract(s).*

<u>Member's Contribution Rate of Pay:</u> (City pays full balance of costs to fund benefits)	7%. Eligible for 2-year buy-back, if elected, based on 7/1/2001 salary.																
<u>Refund of Contributions upon Termination of Employment or at Death:</u>	Return of contribution payable on termination or death if not eligible for a pension or surviving spouse's benefit.																
<u>Cost of Living Adjustment for Retirees/Spouses - 1984:</u>	If yearly pension is less than \$8,000 increase of 8% x difference between yearly pension and \$8,000.																
<u>Cost of Living Adjustment for Retirees/Spouses - 1987:</u>	8% increase if yearly pension is \$12,000 or less.																
<u>Cost of Living Adjustment for Retirees/Spouses - effective September 1989:</u>	<table> <tr> <th><u>Annual Pension</u></th><th><u>Percentage Increase</u></th></tr> <tr> <td>under \$8,000</td><td>5%</td></tr> <tr> <td>\$8,001 to \$9,000</td><td>4%</td></tr> <tr> <td>\$9,001 to \$10,000</td><td>4%</td></tr> <tr> <td>\$10,001 to \$11,000</td><td>4%</td></tr> <tr> <td>\$11,001 to \$12,000</td><td>4%</td></tr> <tr> <td>\$12,001 to \$13,000</td><td>3%</td></tr> <tr> <td>\$13,001 to \$14,000</td><td>3%</td></tr> </table>	<u>Annual Pension</u>	<u>Percentage Increase</u>	under \$8,000	5%	\$8,001 to \$9,000	4%	\$9,001 to \$10,000	4%	\$10,001 to \$11,000	4%	\$11,001 to \$12,000	4%	\$12,001 to \$13,000	3%	\$13,001 to \$14,000	3%
<u>Annual Pension</u>	<u>Percentage Increase</u>																
under \$8,000	5%																
\$8,001 to \$9,000	4%																
\$9,001 to \$10,000	4%																
\$10,001 to \$11,000	4%																
\$11,001 to \$12,000	4%																
\$12,001 to \$13,000	3%																
\$13,001 to \$14,000	3%																
<u>Fringe Benefits for Retirees:</u>	Health and Life Insurance benefits incurred on behalf of retirees on or after July 1, 1998 are no longer provided from Pension Fund Assets.																

Summary of Principal Provisions of Pension Plan for WMAA

July 1, 2003

<u>Eligibility:</u> *	Administrative and supervisory employees.
<u>Retirement Pensions:</u> **	Effective 5/9/2000 2.5% of compensation multiplied by the number of years of service.
<u>Compensation:</u>	Base annual salary.
<u>Service Requirement For Retirement:</u>	20 years of service or age 65 and 15 years. Minimum age 55 if hired on or after 9/1/96.
<u>Vesting of Earned Pension</u> (if no refund of contributions):	After completion of 10 years of service. Accrued pension payable as of the date pension would have been payable if employment had not terminated. Minimum age 55 to collect vested pension.
<u>Benefits to Survivors:</u> Pre & Post Retirement	A benefit of one-half of annual compensation to surviving spouse or recognized dependent of deceased employee or retiree, payable until death or remarriage of surviving spouse. For Vested Terminated members, a benefit of 1/2 of the participant's accrued benefit to the recognized dependent or spouse payable when the terminated member would have been entitled to a pension. Hired after 7/1/89 must have 3 years of service if work-related death and 10 years of service if non work-related death. Spouse of retiree receives ½ of retiree's pension payment. Hired on or after 9/1/96, no spouse benefits for Vested Terminated members.
Compensation for Final Pay <u>Purposes for Survivor Benefits:</u>	½ of base pay if active employee; ½ of pension if retired.
<u>Total Disability Pension:</u> (Payable only so long totally disabled)	<u>Eligibility:</u> Must have 3 years of service if work-related, 10 years if non work-related. <u>Benefit:</u> Accrued benefit, minimum of 50% of pay.

* *Employees not eligible for membership in the Retirement System are eligible for coverage under Social Security and both the City and employee contribute 7.65% of earnings up to the Social Security Wage Base and 1.45% in excess of the Social Security Base.*

** *Certain employees previously excluded by virtue of being hired over age 50 are eligible for a benefit of 2% of compensation or 2.5% of compensation depending on the union, for each year of service minus 50% of the Social Security benefit earned while an employee of the City of Waterbury. Such employees contribute 4.9% of compensation. Also there are three retired members who are entitled to benefits specifically defined in the Charter, Contract or union contract(s).*

<u>Member's Contribution Rate of Pay:</u> *** (City pays full balance of costs to fund benefits)	9%. Contributions are pre tax.	
<u>Refund of Contributions upon Termination of Employment or at Death:</u>	Return of contribution payable on termination or death if not eligible for a pension or surviving spouse's benefit.	
<u>Cost of Living Adjustment for Retirees/Spouses - 1984:</u>	If yearly pension is less than \$8,000 increase of 8% x difference between yearly pension and \$8,000.	
<u>Cost of Living Adjustment for Retirees/Spouses - 1987:</u>	8% increase if yearly pension is \$12,000 or less.	
<u>Cost of Living Adjustment for Retirees/Spouses - effective September 1989:</u>	<u>Annual Pension</u>	<u>Percentage Increase</u>
	under \$8,000	5%
	\$8,001 to \$9,000	4%
	\$9,001 to \$10,000	4%
	\$10,001 to \$11,000	4%
	\$11,001 to \$12,000	4%
	\$12,001 to \$13,000	3%
	\$13,001 to \$14,000	3%
<u>Fringe Benefits for Retirees:</u>	Health and Life Insurance benefits incurred on behalf of retirees on or after July 1, 1998 are no longer provided from Pension Fund Assets.	

*** *WMAA employees first hired by the City on or after 4/15/86 are required to make contributions to the Medicare portion under the Social Security Act. The City contributes a matching 1.45% of pay to Social Security.*

Summary of Principal Provisions of Pension Plan for Nurses July 1, 2003

<u>Eligibility:</u> *	"Registered Professional Public Health Nurses" excluding supervisory nurses.
<u>Retirement Pensions:</u> **	2% of Compensation multiplied by the number of years of service.
<u>Compensation:</u>	The sum of annual base salary plus longevity plus payments for working in a higher classification, averaged over the last 2 years of service.
<u>Service Requirement For Retirement:</u>	Hired prior to 9/1/2002, 25 years of service. Hired on or after 9/1/2002, 25 years, age 55 and 15 years, or age 65.
<u>Vesting of Earned Pension</u> (if no refund of contributions):	After completion of 10 years of service. Reduced accrued pension payable as of retirement date. Reduced pension is 2% of regular annual pay multiplied by years of service.
<u>Benefits to Survivors:</u>	
Post Retirement:	For retirements before 7/1/2002, a benefit equal to 50% of the deceased retirees pension payable to the surviving spouse or dependent. For retirements on or after 7/1/2002, the employee may elect a reduced 50% or 100% Joint and Survivor spouse form of benefit.
Pre-Retirement:	<u>Eligibility:</u> The employee must be eligible to normal retire. <u>Benefit:</u> The employee's accrued benefit x $\frac{1}{2}$ x 50% Joint and Survivor factor. Payments begin immediately.
Terminated Vested:	Reduced pension starting when the employee would have been eligible to retire. Benefit equals accrued benefit x $\frac{1}{2}$ x Joint & Survivor factor at commencement date.

* *Employees not eligible for membership in the Retirement System are eligible for coverage under Social Security and both the City and employee contribute 7.65% of earnings up to the Social Security Wage Base and 1.45% in excess of the Social Security Base.*

** *Certain employees previously excluded by virtue of being hired over age 50 are eligible for a benefit of 2% of compensation or 2.5% of compensation depending on the union, for each year of service minus 50% of the Social Security benefit earned while an employee of the City of Waterbury. Such employees contribute 4.9% of compensation. Also there are three retired members who are entitled to benefits specifically defined in the Charter, Contract or union contract(s).*

Total Disability Pension:
(Payable only so long totally disabled)

Eligibility: Must have 10 years of service.

Benefit: Equal to the accrued benefit, minimum 25% of pay, maximum 50% of pay, including Worker's Compensation. Pay is regular annual pay.

Member's Contribution Rate of Pay: ***
(City pays full balance of costs to fund benefits)

7%.

Refund of Contributions upon Termination of Employment or at Death:

Return of contribution payable on termination or death if not eligible for a pension or surviving spouse's benefit.

Cost of Living Adjustment for Retirees/Spouses - 1984:

If yearly pension is less than \$8,000 increase of 8% x difference between yearly pension and \$8,000.

Cost of Living Adjustment for Retirees/Spouses - 1987:

8% increase if yearly pension is \$12,000 or less.

Cost of Living Adjustment for Retirees/Spouses - effective September 1989:

<u>Annual Pension</u>	<u>Percentage Increase</u>
under \$8,000	5%
\$8,001 to \$9,000	4%
\$9,001 to \$10,000	4%
\$10,001 to \$11,000	4%
\$11,001 to \$12,000	4%
\$12,001 to \$13,000	3%
\$13,001 to \$14,000	3%

Fringe Benefits for Retirees:

Health and Life Insurance benefits incurred on behalf of retirees on or after July 1, 1998 are no longer provided from Pension Fund Assets.

*** *Nurses first hired by the City on or after 4/15/86 are required to make contributions to the Medicare portion under the Social Security Act. The City contributes a matching 1.45% of pay to Social Security.*

Summary of Principal Provisions of Pension Plan for Teachers July 1, 2003

<u>Eligibility:</u>	All full-time teachers excluding all teachers newly hired after March 1, 1970.
<u>Retirement Pensions:</u>	6/10% of Compensation multiplied by years of service.
<u>Compensation:</u>	The final 3 year average of the annual base salary plus longevity plus "severance" pay.
<u>Service Requirement For Retirement:</u>	25 years of service.
<u>Vesting of Earned Pension</u> (if no refund of contributions):	Only return of contributions available prior to retirement.
<u>Benefits to Survivors:</u> Pre & Post Retirement	A benefit of 50% of the accrued benefit to surviving spouse if employee has 15 years of service and elects to contribute an extra 1% of pay. The benefit is payable until death or remarriage of the surviving spouse.
<u>Compensation for Final Pay</u> <u>Purposes for Survivor Benefits:</u>	N/A.
<u>Total Disability Pension:</u> (Payable only so long totally disabled)	After 15 years of service, a pension equal to the accrued benefit.
<u>Member's Contribution Rate of Pay:</u> (City pays full balance of costs to fund benefits)	1% of pay plus optional extra 1% of pay for survivor benefit.
<u>Refund of Contributions upon</u> <u>Termination of Employment or at Death:</u>	Return of contribution payable on termination or death if not eligible for a pension or surviving spouse's benefit.
<u>Cost of Living Adjustment for</u> <u>Retirees/Spouses - 1984:</u>	If yearly pension is less than \$8,000 increase of 8% x difference between yearly pension and \$8,000.
<u>Cost of Living Adjustment for</u> <u>Retirees/Spouses - 1987:</u>	8% increase if yearly pension is \$12,000 or less.

Plan Provisions
continued

<u>Cost of Living Adjustment for Retirees/ Spouses - effective September 1989:</u>	<u>Annual Pension</u>	<u>Percentage Increase</u>
	under \$8,000	5%
	\$8,001 to \$9,000	4%
	\$9,001 to \$10,000	4%
	\$10,001 to \$11,000	4%
	\$11,001 to \$12,000	4%
	\$12,001 to \$13,000	3%
	\$13,001 to \$14,000	3%
<u>Fringe Benefits for Retirees:</u>	Health and Life Insurance benefits incurred on behalf of retirees on or after July 1, 1998 are no longer provided from Pension Fund Assets.	

Summary of Principal Provisions of Pension Plan for SAW July 1, 2003

<u>Eligibility:</u>	School Administrators who were first hired by the Board of Education before age 45 excluding the Superintendent of Schools & Assistants & Director of Business.
<u>Retirement Pensions:</u>	1% of Compensation multiplied by the number of years of Service.
<u>Compensation:</u>	The highest annual rate of pay in the last 5 years of employment plus longevity if applicable in year of retirement plus 1/5 of "severance pay".
<u>Service Requirement For Retirement:</u>	20 years of service.
<u>Vesting of Earned Pension</u> (if no refund of contributions):	Only return of contributions available prior to retirement.
<u>Benefits to Survivors:</u> Pre & Post Retirement	A benefit of 50% of the accrued benefit to surviving spouse if employee has 15 years of service and elects to contribute an extra 1% of pay. The benefit is payable until death or remarriage of the surviving spouse.
<u>Compensation for Final Pay Purposes for Survivor Benefits:</u>	N/A.
<u>Total Disability Pension:</u> (Payable only so long totally disabled)	After 15 years of service, a pension equal to the accrued benefit.
<u>Member's Contribution Rate of Pay:</u> (City pays full balance of costs to fund benefits)	3% (1% by member and 2% by Board) of pay plus optional, extra 1% of pay for survivor's benefit.
<u>Refund of Contributions upon Termination of Employment or at Death:</u>	Return of contribution payable on termination or death if not eligible for a pension or surviving spouse's benefit.
<u>Cost of Living Adjustment for Retirees/Spouses - 1984:</u>	If yearly pension is less than \$8,000 increase of 8% x difference between yearly pension and \$8,000.
<u>Cost of Living Adjustment for Retirees/Spouses - 1987:</u>	8% increase if yearly pension is \$12,000 or less.

Plan Provisions
continued

<u>Cost of Living Adjustment for Retirees/ Spouses - effective September 1989:</u>	<u>Annual Pension</u>	<u>Percentage Increase</u>
	under \$8,000	5%
	\$8,001 to \$9,000	4%
	\$9,001 to \$10,000	4%
	\$10,001 to \$11,000	4%
	\$11,001 to \$12,000	4%
	\$12,001 to \$13,000	3%
	\$13,001 to \$14,000	3%
<u>Fringe Benefits for Retirees:</u>	Health and Life Insurance benefits incurred on behalf of retirees on or after July 1, 1998 are no longer provided from Pension Fund Assets.	

Summary of Principal Provisions of Pension Plan for Social Workers July 1, 2003

<u>Eligibility:</u> *	Regular employees (<i>none active as of 7/1/2001</i>).
<u>Retirement Pensions:</u> **	2% of Compensation multiplied by the number of years of service.
<u>Compensation:</u>	The sum of annual base salary plus longevity plus overtime earned for 12 months prior plus 1/5 of severance pay.
<u>Service Requirement For Retirement:</u>	20 years of service or age 65 and 15 years.
<u>Vesting of Earned Pension</u> (if no refund of contributions):	After completion of 10 years of service. Accrued pension payable as of the 20 th anniversary of employment.
<u>Benefits to Survivors:</u> Pre & Post Retirement	A benefit of one-half of annual compensation to surviving spouse or recognized dependent of deceased employee or retiree, payable until death or remarriage of surviving spouse. For Vested Terminated members, a benefit of 1/2 of the participant's accrued benefit to the recognized dependent or spouse payable when the terminated member would have been entitled to a pension. Retirees after 7/1/90 - 2% x base salary plus longevity x years of service. Effective 7/1/90 must have 3 years of service if work-related death and 10 years of service if non work-related death.
<u>Compensation for Final Pay Purposes for Survivor Benefits:</u>	Final Pay includes annual base rate of pay plus longevity the member was entitled to at death or earlier retirement.
<u>Total Disability Pension:</u> (Payable only so long totally disabled)	<u>Eligibility:</u> Must have 3 years of service if work-related, 10 years if non work-related. <u>Benefit:</u> Equal to the accrued benefit, minimum 50% of pay, maximum 75% of pay, including Worker's Compensation. Pay is rate of pay plus longevity.

* *Employees not eligible for membership in the Retirement System are eligible for coverage under Social Security and both the City and employee contribute 7.65% of earnings up to the Social Security Wage Base and 1.45% in excess of the Social Security Base.*

** *Certain employees previously excluded by virtue of being hired over age 50 are eligible for a benefit of 2% of compensation or 2.5% of compensation depending on the union, for each year of service minus 50% of the Social Security benefit earned while an employee of the City of Waterbury. Such employees contribute 4.9% of compensation. Also there are three retired members who are entitled to benefits specifically defined in the Charter, Contract or union contract(s).*

Member's Contribution Rate of Pay:
(City pays full balance of costs to fund benefits)

7%.

Refund of Contributions upon Termination of Employment or at Death:

Return of contribution payable on termination or death if not eligible for a pension or surviving spouse's benefit.

Cost of Living Adjustment for Retirees/Spouses - 1984:

If yearly pension is less than \$8,000 increase of 8% x difference between yearly pension and \$8,000.

Cost of Living Adjustment for Retirees/Spouses - 1987:

8% increase if yearly pension is \$12,000 or less.

Cost of Living Adjustment for Retirees/Spouses - effective September 1989:

<u>Annual Pension</u>	<u>Percentage Increase</u>
under \$8,000	5%
\$8,001 to \$9,000	4%
\$9,001 to \$10,000	4%
\$10,001 to \$11,000	4%
\$11,001 to \$12,000	4%
\$12,001 to \$13,000	3%
\$13,001 to \$14,000	3%

Fringe Benefits for Retirees:

Health and Life Insurance benefits incurred on behalf of retirees on or after July 1, 1998 are no longer provided from Pension Fund Assets.

<u>Eligibility:</u> *	Regular employees.
<u>Retirement Pensions:</u> **	2% of Compensation multiplied by the number of years of service.
<u>Compensation:</u>	The sum of annual base salary plus payment for working in a higher classification, plus longevity plus average annual overtime earned for 48 months prior plus 1/5 of severance pay plus 10% of sick time accumulated after July 1, 1994, and 20% of sick time frozen as of June 30, 1998.
<u>Service Requirement For Retirement:</u>	20 years of service or age 65 and 15 years.
<u>Vesting of Earned Pension</u> (if no refund of contributions):	After completion of 10 years of service. Accrued pension payable as of the 20 th anniversary of employment.
<u>Benefits to Survivors:</u> Pre & Post Retirement	A benefit of one-half of annual compensation to surviving spouse or recognized dependent of deceased employee or retiree, payable until death or remarriage of surviving spouse. For Vested Terminated members, a benefit of 1/2 of the participant's accrued benefit to the recognized dependent or spouse payable when the terminated member would have been entitled to a pension. Effective 7/1/89 must have 3 years of service if work-related death and 10 years of service if non work-related death.
<u>Compensation for Final Pay</u> <u>Purposes for Survivor Benefits:</u>	Final Pay includes annual base rate of pay plus longevity the member was entitled to at death or earlier retirement.
<u>Total Disability Pension:</u> (Payable only so long totally disabled)	<u>Eligibility:</u> Effective 7/1/89 must have 3 years of service if work-related, 10 years if non work-related. <u>Benefit:</u> Equal to the accrued benefit, minimum 50% of pay, maximum 76% of pay, including Worker's Compensation. Pay is rate of pay plus longevity.

* *Employees not eligible for membership in the Retirement System are eligible for coverage under Social Security and both the City and employee contribute 7.65% of earnings up to the Social Security Wage Base and 1.45% in excess of the Social Security Base.*

** *Certain employees previously excluded by virtue of being hired over age 50 are eligible for a benefit of 2% of compensation or 2.5% of compensation depending on the union, for each year of service minus 50% of the Social Security benefit earned while an employee of the City of Waterbury. Such employees contribute 4.9% of compensation. Also there are three retired members who are entitled to benefits specifically defined in the Charter, Contract or union contract(s).*

<u>Member's Contribution Rate of Pay:</u> (City pays full balance of costs to fund benefits)	8%.																
<u>Refund of Contributions upon Termination of Employment or at Death:</u>	Return of contribution payable on termination or death if not eligible for a pension or surviving spouse's benefit.																
<u>Cost of Living Adjustment for Retirees/Spouses - 1984:</u>	If yearly pension is less than \$8,000 increase of 8% x difference between yearly pension and \$8,000.																
<u>Cost of Living Adjustment for Retirees/Spouses - 1987:</u>	8% increase if yearly pension is \$12,000 or less.																
<u>Cost of Living Adjustment for Retirees/Spouses - effective September 1989:</u>	<table> <tr> <th><u>Annual Pension</u></th><th><u>Percentage Increase</u></th></tr> <tr> <td>under \$8,000</td><td>5%</td></tr> <tr> <td>\$8,001 to \$9,000</td><td>4%</td></tr> <tr> <td>\$9,001 to \$10,000</td><td>4%</td></tr> <tr> <td>\$10,001 to \$11,000</td><td>4%</td></tr> <tr> <td>\$11,001 to \$12,000</td><td>4%</td></tr> <tr> <td>\$12,001 to \$13,000</td><td>3%</td></tr> <tr> <td>\$13,001 to \$14,000</td><td>3%</td></tr> </table>	<u>Annual Pension</u>	<u>Percentage Increase</u>	under \$8,000	5%	\$8,001 to \$9,000	4%	\$9,001 to \$10,000	4%	\$10,001 to \$11,000	4%	\$11,001 to \$12,000	4%	\$12,001 to \$13,000	3%	\$13,001 to \$14,000	3%
<u>Annual Pension</u>	<u>Percentage Increase</u>																
under \$8,000	5%																
\$8,001 to \$9,000	4%																
\$9,001 to \$10,000	4%																
\$10,001 to \$11,000	4%																
\$11,001 to \$12,000	4%																
\$12,001 to \$13,000	3%																
\$13,001 to \$14,000	3%																
<u>Fringe Benefits for Retirees:</u>	Health and Life Insurance benefits incurred on behalf of retirees on or after July 1, 1998 are no longer provided from Pension Fund Assets.																

Participant Data as of July 1 2003**Table 1 - Active Members**

	Number	Payroll*	Average Annual Pay
Police - Option A	324	\$16,510,358	\$50,958
Fire - Option 2	288	16,304,250	56,612
Blue Collar	425	12,982,757	30,548
White Collar	574	16,423,681	28,613
WMAA	45	2,751,446	61,143
Nurses	23	889,603	38,678
Teachers	19	1,680,304	88,437
SAW	3	309,852	103,284
Development	<u>9</u>	<u>371,037</u>	<u>41,226</u>
Total	1,710	\$68,223,288	\$39,897

* *Base pay as reported by City with adjustments for overtime and holiday pay.*

Table 2 - Number of Pensioners & Total Annual Pensions

	Number of Pensioners	Total Annual Pension
Police	301	\$ 7,295,304
Fire	334	9,642,749
Blue Collar	412	6,232,981
White Collar	332	4,155,594
WMAA	77	2,276,753
Nurses	13	257,045
Teachers	446	5,591,711
SAW	99	2,419,490
Social Workers	3	39,320
Development	<u>9</u>	<u>168,854</u>
Total	2,026	\$38,079,801

Table 3 - Vested Terminated Members

	Number	Total Deferred Annual Pension
Police	3	\$ 58,385
Fire	1	16,039
Blue Collar	25	290,507
White Collar	38	367,689
WMAA	15	293,562
Nurses	1	14,964
Social Workers	2	16,771
<i>Development</i>	<u>2</u>	<u>14,588</u>
Total	87	\$1,072,505

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CITY OF WATERBURY - POLICE OPTION A

NUMBER OF PERSONS IN PROCESSING GROUP BY AGE AND YEARS OF SERVICE
JULY 1, 2003

	Completed Years from DOH to VD																					
Attained Age	Under 1		1 to 4		5 to 9		10 to 14		15 to 19		20 to 24		25 to 29		30 to 34		35 to 39		40 and over		All years	
	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.
Under 25	2		1																		3	
25 to 29	3		14		9																26	
30 to 34	9		9		45		4														67	
35 to 39	1		4		36		43		9												93	
40 to 44	4		2		10		14		25		4										59	
45 to 49	2		1		5		2		10		15		2								37	
50 to 54							3		5		9		11		1						29	
55 to 59							1				2		2								5	
60 to 64									1				1		3						5	
65 to 69																						
70 & over																						
All ages	21		31		105		67		50		30		16		4						324	

CITY OF WATERBURY - FIRE OPTION 2																						
NUMBER OF PERSONS IN PROCESSING GROUP BY AGE AND YEARS OF SERVICE																						
JULY 1, 2003																						
	Completed Years from DOH to VD																					
Attained Age	Under 1		1 to 4		5 to 9		10 to 14		15 to 19		20 to 24		25 to 29		30 to 34		35 to 39		40 and over		All years	
	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.
Under 25																						
25 to 29	1		10		3																	14
30 to 34			17		38		2															57
35 to 39			10		24		22		6													62
40 to 44			7		21		25		20		4											77
45 to 49			1		6		12		16		12		4									51
50 to 54					3		1		4		7		5		2							22
55 to 59			1								2				2							5
60 to 64																						
65 to 69																						
70 & over																						
All ages	1		46		95		62		46		25		9		4							288

CITY OF WATERBURY - BLUE COLLAR

NUMBER OF PERSONS IN PROCESSING GROUP BY AGE AND YEARS OF SERVICE

JULY 1, 2003

Attained Age	Completed Years from DOH to VD																					
	Under 1		1 to 4		5 to 9		10 to 14		15 to 19		20 to 24		25 to 29		30 to 34		35 to 39		40 and over		All years	
	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.
Under 25			1																		1	
25 to 29	1		8		2																11	
30 to 34	4		14		4		10		1												33	
35 to 39	6		21		5		27		20		1										80	
40 to 44	6		23		14		24		15		8										90	
45 to 49	6		18		16		17		9		4		2								72	
50 to 54	4		10		7		16		14		4		1								56	
55 to 59	3		7		13		9		2		3										37	
60 to 64	2		5		3		9		9		2		1								31	
65 to 69					3		2		4		1										10	
70 & over									3		1										4	
All ages	32		107		67		114		77		24		4								425	

CITY OF WATERBURY - WHITE COLLAR

NUMBER OF PERSONS IN PROCESSING GROUP BY AGE AND YEARS OF SERVICE
JULY 1, 2003

Attained Age	Completed Years from DOH to VD																					
	Under 1		1 to 4		5 to 9		10 to 14		15 to 19		20 to 24		25 to 29		30 to 34		35 to 39		40 and over		All years	
	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.
Under 25	4		2																		6	
25 to 29	8		12		1																21	
30 to 34	9		29		11		5		2												56	
35 to 39	8		24		20		11		2		1										66	
40 to 44	12		25		27		14		8		3										89	
45 to 49	7		31		37		25		10		1		2								113	
50 to 54	10		22		25		20		13		4		1								95	
55 to 59	2		11		16		18		14		2										63	
60 to 64	1		6		8		13		7		1		2								38	
65 to 69	2				6		11		3		1										23	
70 & over	1		1						1				1								4	
All ages	64		163		151		117		60		13		6								574	

CITY OF WATERBURY - WMAA

NUMBER OF PERSONS IN PROCESSING GROUP BY AGE AND YEARS OF SERVICE
JULY 1, 2003

	Completed Years from DOH to VD																					
Attained Age	Under 1		1 to 4		5 to 9		10 to 14		15 to 19		20 to 24		25 to 29		30 to 34		35 to 39		40 and over		All years	
	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.
Under 25																						
25 to 29																						
30 to 34			2		2																	4
35 to 39	1				2																	3
40 to 44	2				3		1															6
45 to 49	1		2		3		4		2													12
50 to 54			2		2																	4
55 to 59	2		2				1		2		1											8
60 to 64					2		1		1						1							5
65 to 69					1		1		1													3
70 & over																						
All ages	6		8		15		8		6		1				1							45

CITY OF WATERBURY - NURSES

NUMBER OF PERSONS IN PROCESSING GROUP BY AGE AND YEARS OF SERVICE
JULY 1, 2003

	Completed Years from DOH to VD																						
Attained Age	Under 1		1 to 4		5 to 9		10 to 14		15 to 19		20 to 24		25 to 29		30 to 34		35 to 39		40 and over		All years		
	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	
Under 25																							
25 to 29																							
30 to 34																							
35 to 39	1		1		1		1														4		
40 to 44									1												1		
45 to 49					2		1		2				1								6		
50 to 54							1		1												2		
55 to 59			2				1		2												5		
60 to 64	1						1		1												3		
65 to 69	1						1														2		
70 & over																							
All ages	3		3		3		6		7				1								23		

CITY OF WATERBURY - TEACHERS

NUMBER OF PERSONS IN PROCESSING GROUP BY AGE AND YEARS OF SERVICE
JULY 1, 2003

	Completed Years from DOH to VD																					
Attained Age	Under 1		1 to 4		5 to 9		10 to 14		15 to 19		20 to 24		25 to 29		30 to 34		35 to 39		40 and over		All years	
	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.
Under 25																						
25 to 29																						
30 to 34																						
35 to 39																						
40 to 44																						
45 to 49																						
50 to 54																						
55 to 59															14		2				16	
60 to 64									3												3	
65 to 69																						
70 & over																						
All ages									3						14		2				19	

CITY OF WATERBURY - SAW

NUMBER OF PERSONS IN PROCESSING GROUP BY AGE AND YEARS OF SERVICE
JULY 1, 2003

Attained Age	Completed Years from DOH to VD																					
	Under 1		1 to 4		5 to 9		10 to 14		15 to 19		20 to 24		25 to 29		30 to 34		35 to 39		40 and over		All years	
	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.
Under 25																						
25 to 29																						
30 to 34																						
35 to 39																						
40 to 44																						
45 to 49																						
50 to 54													1								1	
55 to 59													1								1	
60 to 64																	1				1	
65 to 69																						
70 & over																						
All ages													2				1				3	

CITY OF WATERBURY - DEVELOPMENT																						
NUMBER OF PERSONS IN PROCESSING GROUP BY AGE AND YEARS OF SERVICE																						
JULY 1, 2003																						
	Completed Years from DOH to VD																					
Attained Age	Under 1		1 to 4		5 to 9		10 to 14		15 to 19		20 to 24		25 to 29		30 to 34		35 to 39		40 and over		All years	
	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.	No.	Avg. Comp.
Under 25																						
25 to 29																						
30 to 34																						
35 to 39					1		2		1												4	
40 to 44																						
45 to 49													1								1	
50 to 54																						
55 to 59							1		2												3	
60 to 64																						
65 to 69													1								1	
70 & over																						
All ages					1		3		3				2								9	

Conclusions and Recommendations

After analyzing the various pension plan options available to the City, the Subcommittee is recommending that the City:

- Phase-in an actuarially sound approach to financing Waterbury's Municipal Employees' Retirement System for active and new employees and;
- Continue on a "pay-as-you-go" basis for retirees;
- Continue to administer its pension plan with the City as the plan sponsor.

There have been significant pension changes (*see Attachment C*) made in the recently settled Fire, Blue Collar, White Collar and Nurses contracts and it appears from the valuation as of July 1, 2002 (*see Attachment D*), that this will dramatically impact both the cost to the City in future retiree payments as well as the unfunded liability over time. Additional contract changes in the City's agreement with the Managers will further reduce the long-term liability of the City and its taxpayers. Still outstanding is a resolution to the contract governing the Police Department.

A. Contributions

Specifically, the Subcommittee recommends that Waterbury:

- **Contribute a minimum fixed amount to the pension fund over the next 5 fiscal years.** The fixed City contribution, listed below, is based on current actuarially recommended contributions for the next 5 years:

<i>Fiscal Year</i>	<i>Plan Contribution (in millions)</i>
2004	\$39.0
2005	41.4
2006	41.9
2007	42.3
2008	43.4

In each of the next 5 fiscal years, this amount becomes the minimum funding requirement for the Waterbury sponsored pension fund and any other pension fund that the City might buy into for new hires or other classes of employees, as agreed to in the collective bargaining process. Any benefit enhancements to the current Waterbury pension plan for current, active employees would necessitate revisions to the minimum funding requirement.

(These contributions were determined using results from the July 1, 2002 actuarial valuation report. See the attached *Exhibit A* for a description of the methods and assumptions used in their development.)

¹ The City will also remit employee contributions to the plan in addition to its employer contribution.

Exhibit A
Actuarial Assumptions and Methods Used to Develop the 30-Year
Contribution Schedule

We used the following assumptions and methods to project the contributions and expected benefit payments under the City of Waterbury Retirement System.

- ☐ Actual employee data and assets in the Fund as of 7/1/2002 were used. This information was provided by the City of Waterbury. There were a total of 1,723 active employees on 7/1/2002.
- ☐ Employees are assumed to terminate, retire, become disabled and die over the 30-year period according to the actuarial assumptions described in the July 1, 2001, actuarial valuation report for the Pension System.
- ☐ As employees retire, terminate, die or become disabled new employees replace them so that the number of active participants in the pension plan remains at 1,723 over the 30-year period of the projection.
- ☐ Assets are assumed to earn 8.5% annually. This interest rate is also used as the valuation interest rate.
- ☐ Employee wages are assumed to increase by 4.5 % a year. New entrant pay is assumed to increase 4.0 % a year.
- ☐ For purposes of calculating the cash contribution to the Plan for fiscal years 2004 through 2008, the Waterbury Retirement Board will adopt the Projected Unit Credit Actuarial Cost Method. Any unfunded liability will be amortized using a 40-year flat dollar amortization method for fiscal year 2003, a 38-year flat dollar amortization method for fiscal year 2004, a 36-year period for fiscal 2005, a 34-year period for fiscal 2006, a 30-year period for fiscal 2007, and a 29-year period for fiscal 2008.
- ☐ Changes in four union contracts were included in the projections. These changes reduced the cost of the System. Changes were made to the Firefighters contract, the Blue Collar contract, the White Collar contract, and Nurses contract.
- ☐ For fiscal year 2002-2003, we assumed the City will contribute \$36,000,000 to the System and the employees contribute \$5,648,000 to the System.
- ☐ The method of funding the Waterbury Pension Plan recommended would have a fixed cash cost for the first five years. The goal of this approach is to give the City of Waterbury the opportunity to do detailed financial projections and budgeting for a five-year period and also to start a program of actuarial funding for the Plan.
- ☐ It should be noted that this method is not fool-proof. If the plan suffers large actuarial losses or if the City grants large increases in pension benefits during the initial 5-year period, the actuarially recommended contribution can increase to the point where it will exceed the Cash Contribution. At that point, the City would be contributing an amount that was less than the actuarially recommended contribution and the City's auditors would note this in their annual report and this could impact the City's credit rating.